Monthly Scorecard

April 7, 2020 Portfolio Advisory Group – U.S. Equities

Performance (Total return % change)

Index	3/31/20	1 mo.	3 mos.	YTD	1 yr.	2 yrs.
Dow (DJIA)	21,917.16	-13.62	-22.73	-22.73	-13.38	-4.65
S&P 500	2,584.59	-12.35	-19.60	-19.60	-6.99	1.84
NASDAQ	7,700.10	-10.03	-13.91	-13.91	0.78	11.52
Russell 2000	1,153.10	-21.73	-30.62	-30.62	-24.01	-22.48
Russell 3000	1,489.57	-13.75	-20.90	-20.90	-9.14	-1.18
S&P 500 Equal Wgt.	3,418.87	-17.97	-26.70	-26.70	-17.57	-11.63
MSCI AC World	442.35	-13.45	-21.26	-21.26	-10.76	-7.92
MSCI Europe	107.38	-14.49	-24.25	-24.25	-14.94	-17.89
MSCI EAFE	1,559.59	-13.27	-22.72	-22.72	-13.90	-16.62
MSCI Asia-Pacific	136.83	-11.53	-19.23	-19.23	-11.79	-15.92
MSCI Emerg. Mkts.	848.58	-15.41	-23.59	-23.59	-17.42	-23.27
60/40 Allocation[1]	N/A	-7.65	-10.5	-10.5	-0.62	6.63
S&P 500 Sector	**3/31/20**	**1 mo.**	**3 mos.**	**YTD**	**1 yr.**	**2 yrs.**
Consumer Disc.	793.11	-13.24	-19.29	-19.29	-10.77	0.99
Consumer Staples	560.33	-5.39	-12.74	-12.74	-0.59	9.83
Energy	223.40	-34.79	-50.45	-50.45	-52.42	-51.79
Financials	346.02	-21.32	-31.95	-31.95	-17.20	-21.08
Health Care	1,032.90	-3.82	-12.67	-12.67	-1.01	13.73
Industrials	499.12	-19.18	-27.05	-27.05	-19.50	-16.93
Information Tech.	1,414.36	-8.64	-11.93	-11.93	10.43	27.48
Materials	283.23	-14.06	-26.13	-26.13	-16.57	-16.93
Real Estate	192.64	-14.95	-19.21	-19.21	-11.33	7.28
Comm. Services[2]	150.35	-12.14	-16.95	-16.95	-3.31	4.18
Utilities	281.77	-10.01	-13.50	-13.50	-1.40	17.66
FI, FX, & Commod.	**3/31/20**	**1 mo.**	**3 mos.**	**YTD**	**1 yr.**	**2 yrs.**
U.S. Treasuries[3]	0.67%	2.89	8.20	8.20	13.23	18.00
Invest-Grade Credit[4]	3.43%	-7.09	-3.63	-3.63	4.98	10.16
High-Yield Credit[4]	9.44%	-11.46	-12.68	-12.68	-6.94	-1.41
WTI Crude Oil[5]	$20.48	-54.24	-66.46	-66.46	-65.95	-68.46
Dollar Index[5]	$99.05	0.93	2.76	2.76	1.81	10.09
Gold[5]	$1,577.18	-0.54	3.95	3.95	22.04	18.99

[1] 60% S&P 500 and 40% Bloomberg Barclays U.S. Aggregate.
[2] Communication Services returns include data from the previously labeled Telecom sector for returns including dates prior to 9/30/18. [3] Yield reflects 10-year U.S. Treasury, total returns reflect Bloomberg Barclays U.S. Treasury Index. [4] Yield and total returns reflect that of the respective Bloomberg Barclays Index. [5] Spot prices and price returns.
Source - Bloomberg, RBC Wealth Management

Priced (in USD) as of Mar 31, 2020, market close (unless otherwise stated).
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March—A mental jigsaw puzzle

March came in like a lion, but there has been no lamb. February's volatility continued in March. From the peak of the market on February 19 through the end of March, the S&P 500 was down approximately 23.7%, an improvement from the mid-month low when it was down approximately 34% from the peak. March experienced 13 days where the market moved up or down a historic 4%. This level of extreme S&P 500 market daily movements hasn't been experienced since the Great Recession of 2008-09 (and handily surpasses the 50-year average of two days per year of that 4% magnitude). Each day, investors were presented with facts and events surrounding COVID-19 as it transitioned from outside the U.S. to the U.S., where the number of known cases has grown exponentially.

The seriousness of the situation, and potential ripples into the global economy, was then exacerbated by what we view as a disastrous OPEC meeting early last month, leading Saudi Arabia to start an oil price war by slashing prices in response to Russia's unwillingness to cut production. This appears to be a fluid situation with multiple parties trying to coordinate new negotiations. The investment puzzle has grown rapidly over the month, yet investors are still searching for many key pieces to evaluate the future—duration of COVID-19, unemployment peak and recovery, GDP deceleration depth and improvement time horizon, and the upcoming earnings season. March included too many milestones

Wealth Management

RBC Capital Markets, LLC Head of U.S. Equity Strategy Lori Calvasina has updated her S&P 500 price target for year-end 2020 to 2,750, a 15% y/y decline, as she worries the S&P 500 hasn't found a durable bottom yet.

S&P 500 post-war bear markets

Peak		Trough		Recovery		Number of days*	
Date	Close	Date	Close	Date	% Drop	Peak to trough	Trough to recovery
02/19/20	3386.15	03/23/20	2237.40	????	-33.9%	24	????
04/29/11	1363.61	10/03/11	1099.23	02/24/12	-19.4%	112	105
10/09/07	1565.15	03/05/09	682.55	03/28/13	-56.4%	368	1061
04/07/00	1516.35	10/09/02	776.76	09/18/07	-48.8%	654	1290
07/17/98	1186.75	08/31/98	957.28	12/18/98	-19.3%	32	80
07/16/90	368.95	10/11/90	295.46	02/11/91	-19.9%	64	88
08/25/87	336.77	12/04/87	223.92	07/26/89	-33.5%	74	429
11/28/80	140.52	08/12/82	102.42	11/03/82	-27.1%	445	60
09/21/76	107.83	03/06/78	86.9	09/12/78	-19.4%	380	137
01/11/73	120.24	10/03/74	62.28	07/14/80	-48.2%	451	1508
11/29/68	108.37	05/26/70	69.29	03/06/72	-36.1%	388	465
02/09/66	94.06	10/07/66	73.2	05/05/67	-22.2%	173	151
12/12/61	72.64	06/26/62	52.32	09/03/63	-28.0%	141	311
08/02/56	49.74	10/22/57	38.98	09/24/58	-21.6%	319	242
06/15/48	17.06	06/14/49	13.64	01/09/50	-20.0%	261	150
05/29/46	19.25	05/19/47	13.77	06/09/50	-28.5%	254	800

*Ignores holidays
Source - RBC Wealth Management, FactSet, Bloomberg; data through 3/23/20

to count, including the worst first-quarter performance in history, numerous circuit breakers to halt and try to calm trading, and unprecedented fiscal and monetary support. When investors weren't connecting the dots to make sense of the COVID-19 and economic puzzles, many were re-engaging with the seemingly easier jigsaw versions, which are enjoying a renaissance as everyone's lives have been put on pause.

RBC Capital Markets, LLC Technical Strategist Bob Dickey has suggested March brought the S&P 500 back to a longer-term support level and indicates a longer period of potential sideways trading. RBC Capital Markets, LLC Head of U.S. Equity Strategy Lori Calvasina has updated her S&P 500 price target for year-end 2020 to 2,750, a 15% y/y decline, as she worries the S&P 500 hasn't found a durable bottom yet. A recession is defined as two consecutive quarters of negative GDP growth, and although economists' estimates vary wildly on if two negative quarters of GDP will occur, with the market down over 20%, this typically has indicated investors are already pricing in a recession. Encouragingly, Calvasina's data also shows that when evaluating the data from the last 12 recessions starting with the 1937-38 timeframe (but excluding 2001 which was a large outlier), stocks have bottomed, on average, five months before the recession ended.

The chart above shows the duration of historical bear markets.

March's fury left no good asset unpunished

The broad market indices were all down by double digits, with the Russell 2000 down the most at -21.7%, the NASDAQ decreasing 10%, the S&P 500 down 12.4%, and the Dow a bit worse at -13.6%. Not all sectors were treated equally, with the underperformance dispersion quite wide. The worst performer was Energy, at -34.8%, driven by the surprising events between Russia and Saudi Arabia causing oil prices to hit a multi-year low. Financials was tangentially

Health Care was the month's top performer, down only 3.8%, followed by Consumer Staples and Information Technology, each only down mid-single digits and high-single digits, respectively.

impacted by the Energy news, with worries of debt and loan burdens, and declined 21.3%. Although REITs and Utilities are typically considered defensive areas to "hide in" in these types of market corrections, REITs declined almost 15% and Utilities were still down 10%. Health Care was the month's top performer, down only 3.8%, followed by Consumer Staples and Information Technology, each only down mid-single digits and high-single digits, respectively.

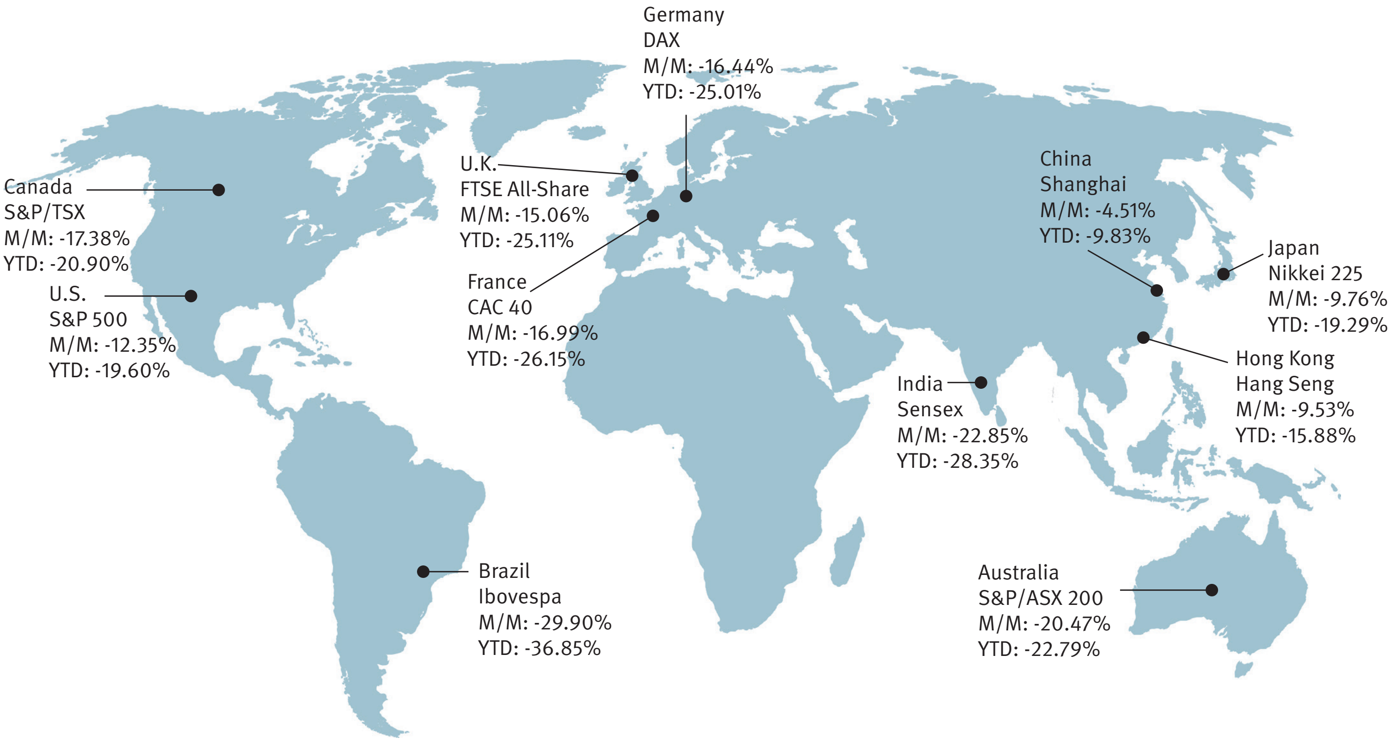
Hope springs eternal

At these S&P 500 levels, the market is pricing in a lot of negativity and uncertainty, and likely little improvement and positive data points, since they are currently in low supply. However, worldwide governments and the biotechnology industry are laser-focused on the tasks at hand of saving both lives and the economy. The contagion has been met with an almost daily flurry of commentary, actions, and implementation by the U.S. government, with a current $2 trillion fiscal stimulus and relief package (11% of GDP), as well as ultra-supportive measures by the Fed including two emergency rate cuts totaling 150 basis points to a 0%–0.25% range and essentially unlimited asset purchases. Simultaneously, proportional responses from governments and monetary bodies worldwide have been executed, and it is probable there may be more support options released in the future.

We think green shoots will likely help stabilize the market. The term describes an economic recovery and positive data during a downturn, by conjuring up visions of budding plants coming out of the ground. Investors are on the lookout. These include progress on COVID-19 treatments and vaccinations, increased testing, a drop in new cases, and deceleration in jobless claims. Earnings season will quickly be upon us and should provide clues to the puzzle of what 2020 earnings could be, although a preponderance of companies have withdrawn their 2020 guidance already. Time will tell, but since 1929, there have only been four periods when the S&P 500 was negative for more than one year. History has shown us bear markets do end eventually.

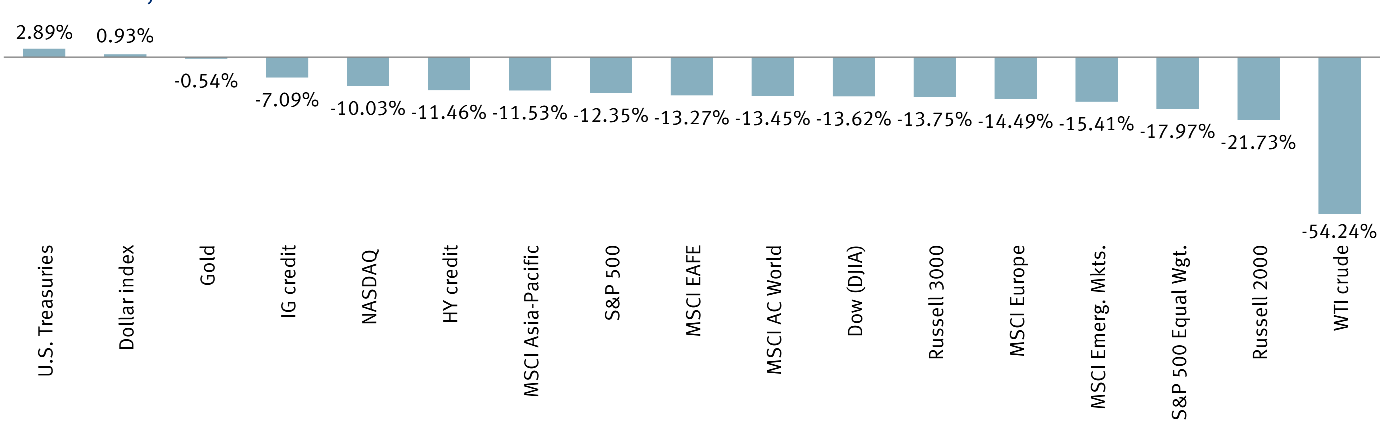
World markets

March month-over-month and year-to-date total return



Source - Bloomberg; priced in local currency

Total monthly returns for select indexes – March 2020



Source - Bloomberg

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As of March 31, 2020

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